

TOWARDS AGRICULTURAL CHANGE?

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A Planet for Life 2012 focuses on agriculture and its relation to development, food and the environment. At the end of the 2000s, a consensus has emerged and points to the urgent need for massive investment in the agricultural sector, which is (once again) viewed as one of the prime engines for development and food security, as well as for poverty reduction. But what exactly does this consensus cover?

While the idea of investing in agriculture is gaining ground and although several countries or regions appear to be offering opportunities for investment in agricultural land, debates are going on as to which agricultural models to choose and how agricultural policies should be implemented.

A Planet for Life called on many highly specialized authors from different countries and perspectives, and invites the reader to discover the sector in all its complexity, upstream and downstream of agricultural production.

At the crossroads of the challenges posed by development, food security and the environment, the transformation of the agricultural sector is at the heart of the global stakes of sustainable development. To help steer these changes towards greater sustainability, this book makes us aware of how crucial it is to also change our representations of agriculture, change the visions that guide projects for change and the policies regulating this sector.

- Papers by leading international experts and scholars
- New perspectives from across the planet
- Multiple maps, charts, timelines and thematic focus essays
- A wealth of ideas for specialists and non-specialists alike (policy makers, administrators, concerned citizens, development professionals, entrepreneurs, journalists, students and others)



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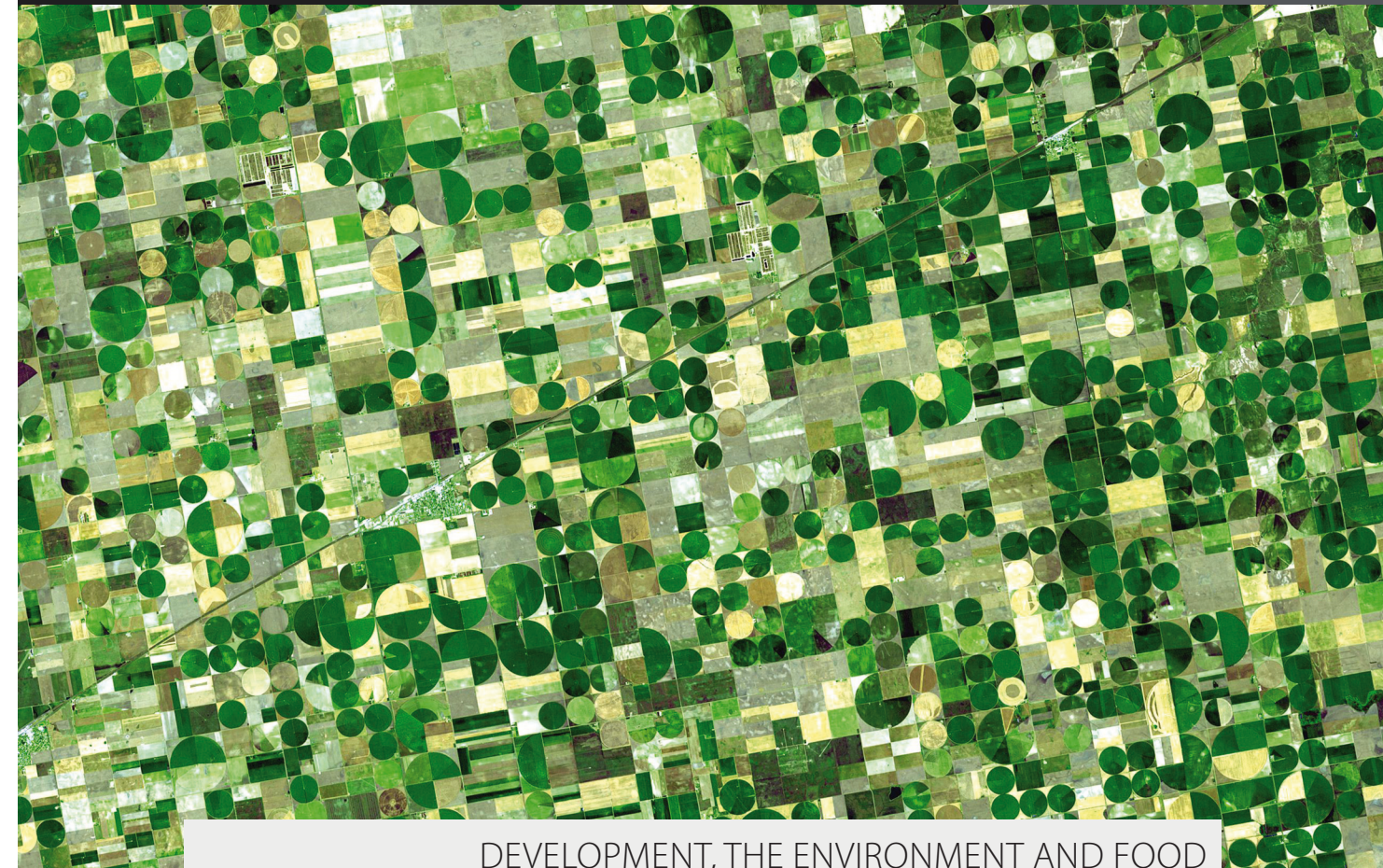
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LAURENCE TUBIANA, **EDITORS**

A PLANET FOR LIFE

SUSTAINABLE DEVELOPMENT
IN ACTION



DEVELOPMENT, THE ENVIRONMENT AND FOOD

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The question of the contribution of agriculture to economic development is hampered by the very concept of “development”, which is based on a partial reading of the Western economic transition. The crucial issue for countries in sub-Saharan Africa is their ability to generate a sufficient amount of activities – including agricultural and rural ones – to absorb a growing population.

AGRICULTURE AND TRANSITION IN A GLOBALIZED WORLD

Following a long absence from the discussions on economic development, agriculture has moved back onto the centre stage with the World Bank’s 2008 World Development Report (WDR08), published in late 2007¹. Its publication coincided with a sudden surge in agricultural prices during 2007 and 2008, which triggered multiple and disparate forms of government intervention and thus served as a reminder that agriculture – through its central function of feeding humanity – is a “state matter” (Coulomb et al., 1990). These events have come to echo the climate change debate and its global consequences (2009 Copenhagen summit), bringing back into focus perspectives that had been forgotten since the 1970s, along with the alarmist predictions of the Club of Rome.

Feeding a world of nine billion people by 2050 in a sustainable manner in a fragile natural environment is of course an agricultural issue, although other areas of activity outside agriculture in the strict sense appear essential to meet this challenge (such as consumption patterns, energy sources or the incorporation of environmental costs). However, bringing the agricultural issue back to a question of food, or even sustainable food, is a clear narrowing of the role of agriculture, when a need for multifunctionality has now been acknowledged². Agriculture does not only produce

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de Recherche
Agronomique pour
le Développement
(CIRAD)

1. The arguments in this chapter are largely based on work carried out in the RuralStruc Program (see box). They are those of the author and do not reflect the views of the World Bank or any of the programme’s other donors.

2. An acknowledgement that is challenged when it comes to justifying public support, as shown by the opposition at the WTO between the EU, the United States and the Cairns Group. See Losch 2004.

food or raw materials, it also has economic, social, cultural and environmental roles due to its special relationship with land area, territories and modes of life, whilst also fulfilling both commercial and non-commercial functions (Group Polanyi, 2008).

This narrow view of the role of agriculture can be a major disadvantage when discussing its full contribution to development. Indeed, while the WDR08 has reopened a path by emphasizing the role of agriculture in the various “stages” of development, it is one that remains fraught with obstacles that prevent a true rehabilitation for two reasons. The first is temporary and relates to the media coverage of issues, which is critical for attracting the attention of policy makers. The management of the financial crisis that began in late 2008 concentrated on short-term goals that had little to do with the 2050 horizon. Meanwhile, the themes of international debate are constantly changing, for example: while the WDR08 focused on agriculture, WDR09 centred on the importance of density and urbanization (World Bank, 2008) and the UNIDO 2009 report highlighted that industrialization is integral to economic development (UNIDO, 2008).

The second, more fundamental, reason for the blockages concerns the very concept of development. Forged at the end of World War II and marked by decolonization,

***BRINGING THE AGRICULTURAL ISSUE
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BEEN ACKNOWLEDGED.***

development is rooted in the notion of progress in stages, formalized by Rostow among others, to ultimately reach the level set in Western Europe and its overseas projections (primarily the US) during the nineteenth and twentieth century. Development – which Rist (1996) calls a “Western delusion” and that, as Goody (2006) reminds us, monopolizes world history by

stealing other people’s histories – is, by its very foundations, of an evolutionary nature; and “emerging” states are those that follow closely the development patterns of western countries (Gabas & Losch, 2008). The fundamental flaw of such a vision is that by focusing on the actions of a territorial entity (usually one thought of as a nation state), the central role of the relationship between national and international is forgotten, along with the links between internal processes and “rest of the world” conditions, all of which are crucial to understand the dynamics of change, including the balance of power and the available manoeuvre room for local stakeholders who establish the field of possibilities³.

In this regard, what is the role of agriculture, particularly for countries characterized by a weakness in their structural change and which are most dependent on their agricultural sector? This is the angle of analysis adopted for the rest of this chapter, which first discusses the canonical model of the evolutionary scenario and

3. This view is reinforced by the widespread use of “development indicators”, such as the Millennium Development Goals, helping to focus attention on internal objectives and to segment the debate between subject areas, ignoring the question of the viability of the process and their relationships.

the historical particularities of past transitions. The structural situation of “late developers”, specifically sub-Saharan Africa (SSA) is then reviewed by highlighting the challenges of a double transition (economic and demographic) in the era of globalization and under the constraints of global change. Finally we discuss the particular situation of agriculture and barriers to agricultural and rural diversification before concluding on the necessary choices in terms of public policy.

THE EVOLUTIONARY SCENARIO AND ITS OMISSIONS

According to the historical sequence observed in other parts of the world and confirmed by the statistical evidence (Timmer, 2009), the conventional process of economic transition involves a gradual shift from an agriculturally based economy to one based on industry and then services, and from rural to urban. This structural transformation is made possible by the productivity gains that allow the accumulation and transfer of labour and capital from one sector to another, along with the increase of living standards and growth and diversification of demand.

Agriculture therefore plays a role as both an initiator and a driving force, which is accompanied by a massive outflow of assets from the sector. Only a minority can remain and become specialized in agricultural tasks (usually the type of agriculture with the most production factors), while the vast majority of people gain employment in other non-agricultural activities, sometimes in rural areas but more often by migrating to cities, other regions or abroad. These three options – agricultural specialization, rural diversification and migration – are those that the WDR08 presents as possible exits from rural poverty. However, if the report draws attention to the composite characteristics of the solutions, the question of the viability of these exit options today is not really debated, while previous transitions have clearly taken place at other historical moments⁴.

This approach has three major omissions. First, the European transition, which serves as a reference – beyond the long-term processes related to the development of market capitalism – has been fuelled by a global geopolitical order characterized by the expansion of European domination or that of states derived from it (e.g. the US). This domination of the West has facilitated its industrial development due to – a fact that is too often forgotten – captive markets and the elimination of Asian competition (Bairoch, 1997; Grataloup, 2007).

Subsequently, labour surpluses derived from agricultural modernization, which could not find an outlet in emerging industries, were largely absorbed by large-scale international migration to the “new worlds”, derived from the expansion of Europe⁵. This adjustment through European migration has been decisive and instrumental in shaping the current global state.

Finally, these western transitions have been fundamentally marked by a *national*

4. The WDR08, although given the title *Agriculture for Development*, actually focuses on exiting from rural poverty. This semantic shift complicates or prevents further attention to the transition processes.

5. This “white migration” (Rygiel, 2007) involved approximately 60 million Europeans between 1850 and 1930.

vision of development, which has experienced a widespread expansion phase from 1930 to the late 1970s – i.e. the beginning of the current period of globalization. The objectives were then to consolidate the nation state and to develop domestic markets through proactive public policies, including import substitution. This was the path followed in the interwar years by most Latin American countries – which had existed as states for over a century – and by the Asian countries from the 1950s. This national vision was reinforced by the external support of the Cold War in the form of massive aid programmes to countries that were considered strategically useful against the communist threat (South Korea, Taiwan, Singapore, India and many Latin American countries).

THE VERY SPECIFIC SITUATION OF SUB-SAHARAN AFRICA

The current period of globalization, characterized by the withdrawal of the state, trade liberalization and technological advances in communications, has of course changed the stakes profoundly for the least developed countries in their process of structural change, particularly so in SSA which is the last part of the world to engage in economic and demographic transition.

African states are among the latest arrivals on the international scene, having originated mostly in the early 1960s on the foundations of European colonial territories. They benefit from the advantages of “late developers” (technical progress, learning from the past), and from opportunities of the new system of world growth (trade openness and access to new markets). But they face the constraints of strong competition – which highlights the growing global imbalances – and the instability of the international economic environment, along with the consequences of global change, drastically reducing their manoeuvre room.

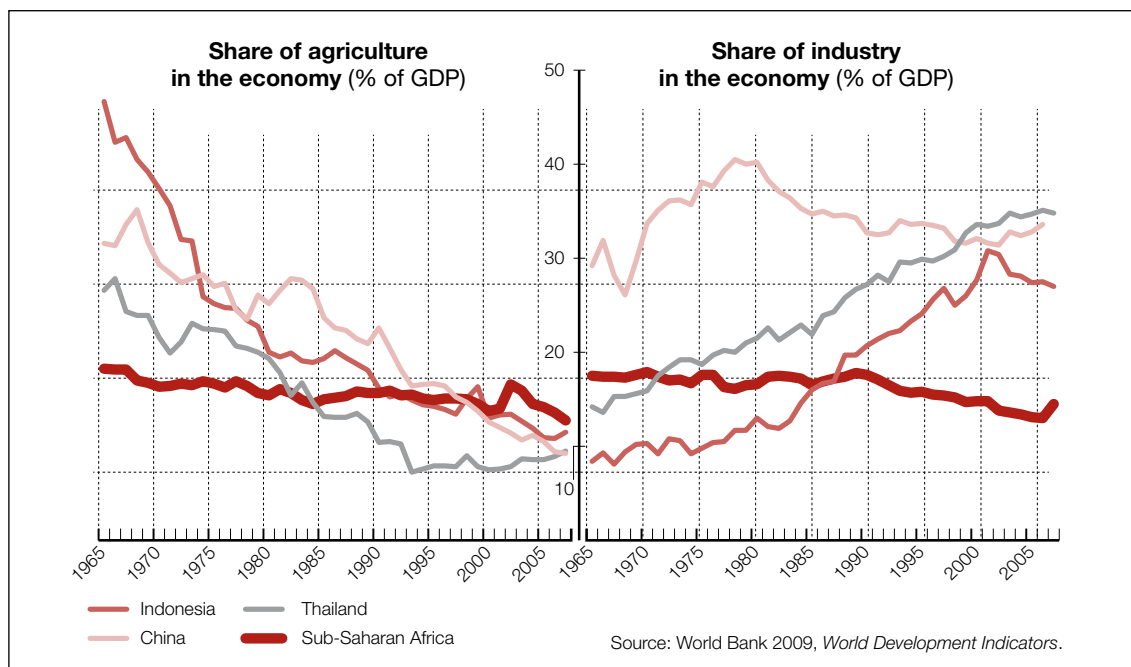
AN EMBRYONIC ECONOMIC TRANSITION Fifty years after independence, SSA economies remain characterized by the significance of the agricultural sector in the gross domestic product (GDP), in foreign trade and above all, something which is often overlooked, in the structure of employment: agriculture, which accounts for an average employment of 65% for the subcontinent (excluding South Africa) and between 75% to 85% for many countries, remains the main source of activity and household incomes.

The most striking phenomenon is the large structural inertia of SSA economies, even though their populations have shown a very high degree of mobility, expressed by the rate of urbanization: with a rate approaching 40%, the urban population has multiplied by 12 since 1960, despite the lack of an industrialization drive. This “low speed” urbanization, without industries, contrasts with other developing regions, especially Asia, where economic changes were very fast (see Figure 1)⁶.

Thus, in the absence of a dynamic manufacturing sector, workforce growth in SSA

6. Latin American countries with earlier transitions are not shown here.

FIGURE 1 THE PERSISTENT SINGULARITY OF AFRICAN ECONOMIES



was primarily absorbed by agriculture and the informal urban sector⁷, which has played a complementary role as a shock absorber, without enabling real dynamic growth: low productivity, underemployment, job insecurity and low income frequently serve as poverty traps, as shown by the urbanization of slums (UN-Habitat, 2003).

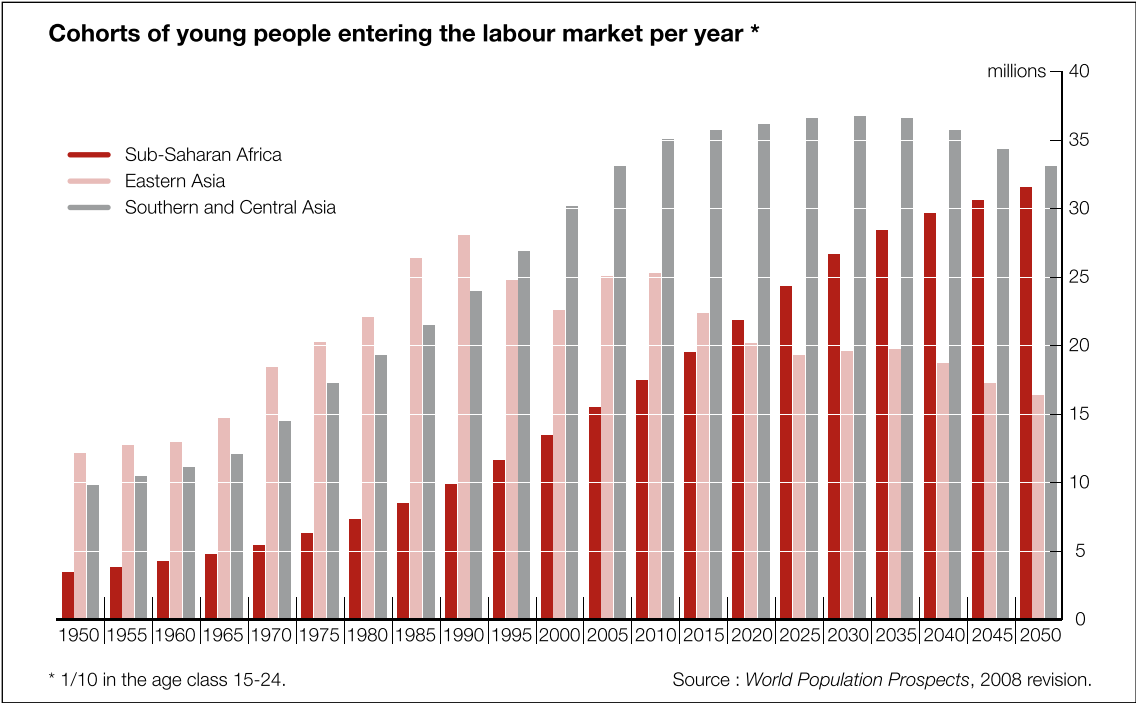
With domestic markets that are scattered due to fragmentation into 42 states (on the continent) and a solvent demand constrained by the extent of poverty, the growth of SSA economies remains highly dependent on the outside. These characteristics, combined with a low overall economic productivity (due to the importance of the agricultural sector and the informal economy) and frequent political instability, as well as high population growth, explain the very low growth in GDP per capita and its high volatility. The strong growth in recent years – before the financial crisis – should therefore be analysed from a long-term perspective. With few exceptions, this growth was initially “pulled” by the commodity and trade boom and has not decreased the “structural anaemia” in the subcontinent⁸.

Despite rapid urbanization, the structure of economies in SSA has changed little in recent decades. This represents a very different development trajectory to that followed in other parts of the world such as East and Southeast Asia.

7. This represents between 30% and 45% of non-agricultural GDP and from 70% to 90% of the total non-agricultural employment.

8. Recent arguments in favour of “African lions” (McKinsey, 2010) should be taken with caution: they concern the entire African continent and therefore include North African countries and South Africa, which accounted for 62% of the continent’s GDP in 2008.

FIGURE 2 THE CRUCIAL ECONOMIC INTEGRATION OF YOUNG PEOPLE



Sub-Saharan Africa faces major demographic and economic challenges. By 2025, 330 million young Africans will enter the labour market. Taking this demographic issue into account, and building an economy that is able to integrate these people, will be key to enabling growth and social stability in the continent.

This specific situation, given the structural changes observed in other regions of the world, can be explained by the historical conditions of the integration of the continent into the global economy (restrictive and recent colonial administration) and the young age of African states. Overtaken by globalization and structural adjustment, these states, unlike Asian and Latin American countries, have not implemented proactive policies to modernize and correct their own mismanagement.

AN UNFINISHED DEMOGRAPHIC TRANSITION This weakness of the transformation of African economies is more acute given the demographic situation in the subcontinent, since the SSA is the last region of the world to engage in a process of demographic transition. Yet this process remains largely unfinished: after four decades of strong population growth (more than 2.5% per year – with the exception of countries most affected by the AIDS pandemic) and the late manifestation of the declining birth rate, the population will double by 2050, equating to at least 900 million more inhabitants according to the UN. This evolution will result in a change to the demographic structure with a strong increase in the size of the workforce – and therefore the demand for jobs – and then in a progressive evolution of activity rate. This rate, which is an expression of the ratio between active and inactive members of the workforce, was close to 1 in the 1980s and 1990s (compared to 2 in East

Asia during the same period), thus constituting a major economic handicap at the height of the structural adjustment. Its steady increase to beyond 2050 will represent a unique opportunity in terms of growth. But for this “demographic dividend” to fully play its incentivizing role, it must be accompanied by a significant increase in productive investment, capacity for innovation and productivity.

Due to its low-diversified economic structure, marked by the weight of agriculture and the informal sector, the crucial question for SSA is its ability to generate enough activity and employment to absorb the rapid growth of its labour force. Today, in the entire SSA, a cohort of around 17 million young people enters the labour market each year. This number will increase to about 25 million in 2025 (Figure 2), which is not conjecture as these individuals have already been born. In total, over the next fifteen years, SSA economies will have to absorb 330 million new active workers (i.e. the current population of the United States). This is a major challenge that carries considerable economic, social and political pressures. The “Arab revolutions” have provided a brutal reminder, bringing youth employment back onto the list of main concerns for African leaders (African Union heads of state summit, January 2011).

A CENTRAL ROLE FOR AFRICAN AGRICULTURE

To meet the challenges of its structural change, SSA certainly has many advantages, both natural (mineral resources, land availability, young population) and comparative (low cost of labour); but these advantages are largely frustrated by the constraints linked to major delays in terms of public goods, human capital and productive infrastructure, which induce and are accompanied by numerous imperfections and the incompleteness of the market.

The recent boom of Foreign Direct Investment, caused by the attractiveness of the continent’s advantages, remains largely confined to the exploitation of resources and the infrastructure associated with it. The weaknesses of local private capital and of public resources, as well as the limits of ODA, make simultaneous treatment of all other constraints difficult. However, it is clear that SSA will not, in the short and medium term, be able to rely on the security valve of international migration, such as the mass migration that accompanied the European transitions between the mid-nineteenth century and the 1920s⁹. Moreover, while there is probably a place for the industrialization of low-income countries (UNIDO, 2009), and while the information technology revolution creates new opportunities for services, these changes will be slow because of the extent of the disadvantages¹⁰.

It thus appears that for most SSA countries, progression of their agricultural bases will remain essential for development over the next two decades, which will see an extraordinary surge in the number of young people seeking work. Of the 330

9. The situation in Mexico and Morocco, with 10% of their nationals living abroad, is not reproducible: to achieve these proportions, more than 80 million Africans south of the Sahara would have to emigrate today.

10. A major issue concerns the viability of a structural change that could “jump” the historical stage of industrialization made difficult by the asymmetries of the global economy.

million new young workers that are anticipated by 2015, 200 million will be in rural areas if current population distribution trends between urban and rural areas are maintained. This large number of workers will have to find employment in rural areas or risk increasing the pressure on urban growth, which is already difficult to manage. Also, agriculture will have to play a major role, given that it is primarily the growth of farm income – a lesson from earlier transitions – that creates a rural demand that generates other non-agricultural rural activities.

STRUCTURAL CONSTRAINTS TO AGRICULTURAL GROWTH

African agriculture remains constrained in its development by several well-known barriers: high transaction costs, lack of credit and supply, the pitfalls of commercialization, lack of information and training, etc. The stagnation of overall agricultural productivity has been increased by the fall in public investment in agriculture – states and aid agencies alike – a consequence of the adjustment options taken during the last 25 years.

However, while these findings relate to the economic and institutional environment, the situation of farm and rural households is less often considered. Household surveys conducted by the RuralStruc Program (see box) confirm the extent of rural poverty (75% of surveyed households have a total income below \$2 a day per person and 40% have incomes below a \$1 a day per person); but they also reveal the extent of the risk and insecurity in relation to the economy, and even to food (confirmed by converting the average income into kilocalories per adult equivalent).

More specifically, the results of the programme can highlight the importance of the relationship between household income and the diversification of activities, which determines the pace and scale of rural transformation. Indeed, the importance of economic risk for households faced with persistent poverty and low income, along with the small size of existing incomes, are a barrier to investment and innovation possibilities, which impacts structurally on the productivity and the prospects for increased agricultural performance.

BOX 1 THE RURALSTRUC PROGRAM: A COMPARATIVE APPROACH TO RURAL DIVERSIFICATION

The RuralStruc Program on the structural changes in rural economies in the globalized world arose from a joint initiative of the World Bank, French Cooperation (AFD, Ministries of Agriculture and Foreign Affairs, CIRAD) and IFAD. Launched in 2006, the programme gathers seven national teams – Mexico, Nicaragua, Morocco, Senegal, Mali, Kenya and Madagascar – in a comparative project

of two phases (2006-07 and 2007-10), designed to highlight the diversity of the processes of change and the adaptation modalities of rural households, particularly through the implementation of surveys of 8,000 households in 26 regions of the countries concerned. Dissemination of results at the national level, but also to regional organizations and the community of donors, can contribute to the debate on develop-

ment policies and the special place of the rural sector in the structural change of developing countries.

For more information, read: Losch B., Freguin-Gresh S., White E., 2010, *Structural dimensions of liberalization on agriculture and rural development: A cross-regional analysis on rural change*, RuralStruc Program, final report. World Bank, Washington. <http://www.world-bank.org/afr/ruralstruc>

BOX 1 RETHINKING INTERVENTIONS IN RURAL AREAS

Beyond its contribution to a better understanding of the rural world and the situation of rural households in the countries studied, the RuralStruc programme questions donors about their practices. Its results confirm several realities that policymakers are struggling to integrate into their strategies.

The first is the massive influx into the labour market of young people, mainly from rural areas. Yet the donor community does not consider agriculture to be an employment sector. Our modernization models, based on the trajectories of Northern countries, aim to improve the profitability of production, investment and work, without regard to employment. How can we increase global productivity without overly sacrificing employment?

Another reality is the extent and level of poverty in rural areas, particularly in countries in sub-Saharan Africa. Not only does poverty affect a large proportion of households, its severity is often high, with large proportions of the population living below the extreme poverty threshold. There is nothing new in this, and the literature on the subject is abundant. But aren't our intervention methods leading us away from these populations, although they are the majority in the poorest countries? Indeed, the financing of development is increasingly oriented towards economic investments with rapid profitability and the search for visible results. But can we ask households that are so poor, whose primary concern is to maintain a supply of food, to

invest in or adopt new technologies and engage in new types of production? Support through the introduction of social nets is not sufficient. Long-term actions combining public goods, collective productive investments and support to individual economic activities are also needed.

RuralStruc also provides information that is less disseminated. Its results clearly show that food security concerns, which are reflected in auto-consumption, remain a determinant factor in farming strategies, including in regions considered to be more favoured. This observation prompts the re-prioritisation of staple crops to reduce the level of risk and unlock innovation capacity. However, aid agencies and research have often given priority to export crops which are certainly promising in terms of marketing opportunities and income, but are often less inclusive compared to food crops that involve the largest number of people while being linked to domestic and regional markets that present very high growth rates.

The Program also provides new insights into the dynamics of diversification versus specialization, which are at the heart of the transformation process for rural economies. It shows that the diversification of household income is still marked by a rationale of adaptation that does not necessarily lead to an exit from poverty. Diversification is usually a strategy of risk management, the revenues of which are constrained by the weakness of the local supply of non-agricultural employment, which is a

consequence of rural demand that is insufficiently stimulated by agricultural income.

Beyond elements of understanding from studies carried out in specific national contexts, RuralStruc underlines our difficulty in envisaging agricultural transitions, economic transitions and differentiation outside of the traditional sequential evolutionary models of development. Its results lead us to accept the diversity of trajectories highlighted by the great heterogeneity of situations, and also justify a deepening of our knowledge of the current transformation process. These observations *de facto* advocate for the reinforcement of local statistical systems and the collection of primary data to take into account this diversity and to better understand the mechanisms of differentiation and development that are the closest to local realities. To better promote, guide and support the necessary transformations without "promoting" universal solutions, it is essential to have specific and concrete studies. To ensure that funding for the transformation of rural economies meets the goals of eradicating poverty and supporting employment and sustainable agriculture, it is better to start from a knowledge of the realities than from a trajectory of agricultural modernization copied from that which occurred in northern countries, and its social and environmental externalities that are now better evaluated.

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Agence française de développement,
Paris, France

FIGURE 3 THE RELATIONSHIP BETWEEN SPECIALIZATION OR DIVERSIFICATION AND INCOME

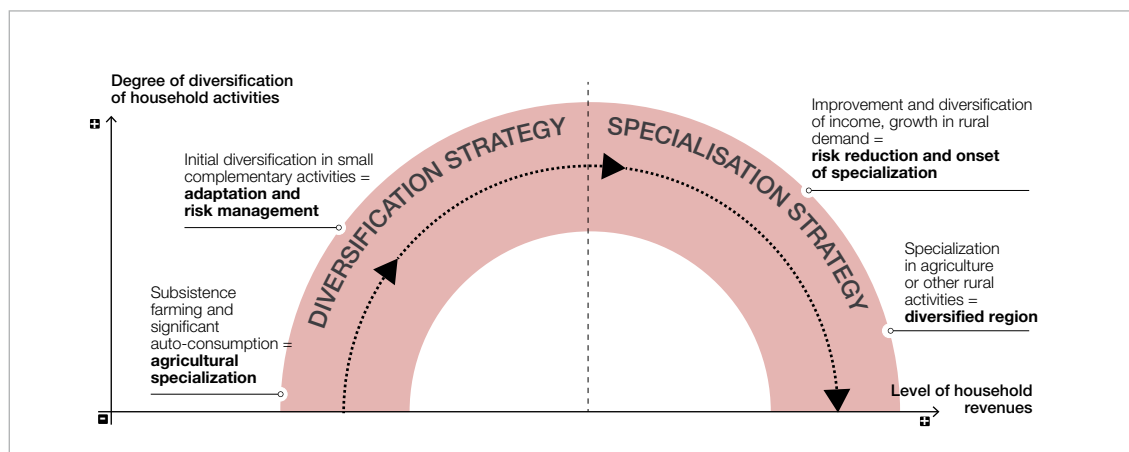


Figure 3 shows a stylized inverted U-shaped evolution where low-income households are confined to a specialization in subsistence agriculture. The growth of farm incomes enables increased access to other sources of income, derived from the emergence of rural demand which, by reducing risks, then allows household specialization in an agricultural sector that is directly market-oriented (with a decrease in auto-consumption) but also in other sectors of non-agricultural activities (production and services).

The SSA regions that have been investigated by the RuralStruc Program are almost exclusively situated at the initial stage of the process. Rural incomes are characterized by the structural weight of agricultural incomes, an important part of which corresponds to auto-consumption. And while diversification into other activities outside farming is generalised and often strong, it mainly concerns low-paid supplementary activities (“small jobs” in trades and services, casual agricultural employment), which neither enable a way out of insecurity nor lead to a true rural diversification.

GUIDANCE FOR PUBLIC POLICY

These results suggest several directions in terms of public policy. Given the magnitude of the constraints faced by African agriculture, compiling a long list of possible intervention areas does not provide the selectivity necessary to take into account the obvious resource limitations, even if governments and donors strive to put agriculture back into the foreground. Realism requires the targeting of priority areas of action that correspond to the strongest constraints.

The heterogeneity of situations – another important result of RuralStruc – implies a reinvestment in the analysis of contexts (survey and regional studies) that is necessary for the development of diagnostic assessments prior to the preparation of action strategies. Support for collaborative public policy development therefore appears necessary to define the appropriate programmes, but it is however possible to highlight three priorities:

The first corresponds to the necessary support for family farms (as opposed to agribusinesses). Beyond the false debate on small scale versus large scale¹¹, family farms are more inclusive because they correspond to almost all African farms. They have many assets in terms of productivity and competitiveness (World Bank, 2009) and offer considerable potential in terms of absorption of new workers (whether from the potential development of land or from labour-intensive techniques of intensification).

The second priority is to support the development of so-called substantive crops. This choice is obviously not exclusive and there are other production opportunities that offer better returns. But substantive crops are of concern to the largest number of people, and thus improvements in their yields and development are able to break the stranglehold of risks related to food and the economy, and facilitate investment and diversification into non-agricultural activities. Finally, substantive crops have a considerable market potential at the continental level due to demographic and urban growth, while providing opportunities for local processing.

DIVERSIFICATION INTO OTHER ACTIVITIES OUTSIDE FARMING IS GENERALISED AND OFTEN STRONG, BUT MAINLY CONCERNS LOW-PAID SUPPLEMENTARY ACTIVITIES.

The third priority is the need to strengthen the local level, which is the necessary condition for the consolidation of rural diversification and simultaneously to slow down the process of urban concentration, the management of which is difficult. The densification of urban-rural relationships requires better provision of public goods, infrastructure and services in rural towns and small cities, which is essential for the development of agricultural and non-agricultural activities and local networks, which provide a means for adaptation to the realities of a globalized economy. ■

11. The crisis of agricultural prices and foreign agricultural land investments have largely blurred the debate by focusing on the question of the size and organization best suited to meet the food demand (Collier, 2009), when the issue concerns the model of agricultural development most likely to facilitate the transition process and provide employment.

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